

DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

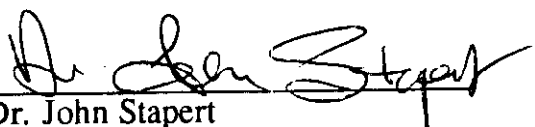
RESPONSES OF COALITION OF RELIGIOUS PRESS ASSOCIATIONS  
WITNESS STAPERT TO INTERROGATORIES OF THE  
UNITED STATES POSTAL SERVICE  
(USPS/CRPA-T1—5-12)

COALITION OF RELIGIOUS PRESS ASSOCIATIONS

American Jewish Press Association  
Associated Church Press  
Association of State Baptist Papers  
Catholic Press Association  
Episcopal Communicators  
Evangelical Press Association  
General Commission on Communication, United Methodist Church  
Seventh-day Adventist Publishers

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Dr. John Stapert

February 9, 1998

**RESPONSES OF COALITION OF RELIGIOUS PRESS ASSOCIATIONS  
WITNESS STAPERT TO INTERROGATORIES OF THE  
UNITED STATES POSTAL SERVICE  
(USPS/CRPA-T1—5-12)**

USPS/CRPA-T1-5. On page 4 lines 2-7 of your testimony you state: "The Commission is aware of the phasing schedule of annual postal-rate increases for preferred-rate mailers. While the congressional action that created these increases was taken totally apart from any Rate Commission action, nevertheless preferred-rate mailers have experienced a rate increase each October 1 for several years. The reality of this annual rate increase makes nonprofit mailers more financially vulnerable to general postal-rate increases."

- (a) Would nonprofit mailers be less financially vulnerable if simply charged the full cost coverage requirement from the beginning, rather than having the advantage of a phasing schedule?
- (b) Confirm that a nonprofit basic nonautomation piece weighing 0.5 pounds with 50% editorial content, has paid \$0.004 per piece less than Step 6 in Step 4 and \$0.002 less per piece than Step 6 in step 5.
- (c) Given the combined circulations given on Page 2 of your testimony and assumptions shown below, would it not be unreasonable to suggest that phasing, conservatively estimated, has saved your members nearly \$1.8 million in two years alone?

Response:

- (a) No, those nonprofit mailers which might have survived the imposition of full cost coverage from the beginning would be more financially vulnerable. And it is likely that some nonprofit periodicals, still alive today, would not have survived such an imposition of higher postal costs.
- (b) The mail piece you describe is rare among nonprofit periodicals, since the percentage of advertising tends to be much lower than 50 percent—typically 15-20 percent for those which accept advertising. Many do not accept advertising at all; or they carry less than 10 percent advertising, which for postal purposes counts as if there were no advertising. The per-piece weight in your description is also unusual, at least among the

religious periodicals which I represent. Most of them weigh in the vicinity of 4 ounces.

However, a piece such as you describe, mailed at nonprofit, basic, nonautomation rates would indeed have paid \$0.004 less per piece in Step 4 and \$0.002 less per piece in Step 5 than that same piece will pay in Step 6.

(c) The figures you cite from my testimony cannot be meaningfully aggregated in the way you have done in this part of the interrogatory. The examples in your questions are unrepresentative of religious publications. Also, a barrier to this type of mathematical aggregation is that some of the periodicals use Periodicals Class and others use Standard A. Only one of the eight constituent associations of CRPA attempts to tally how many of its members use Periodicals Class and how many use Standard A. There is an additional difficulty in that the American Jewish Press Association does not obtain circulation figures from its member periodicals; rather it obtains "number of readers" figures.

Therefore, I cannot, either from the tabulation you offered or by any other means available to me, estimate the amount of savings attributable to the phasing schedule.

USPS/CRPA-T1-6. Please refer to your testimony at page 4, lines 8-20:

- (a) Please confirm that nonprofit mailers were not required to incorporate *all* of the preparation changes that went into effect for regular rate mailers on July 1, yet they were still affected by the changes because the Postal Service changed its processing and distribution networks and all mailers were required to incorporate certain changes to correspond to the network changes.
- (b) Specifically, please confirm that nonprofit mailers had to eliminate their state and mixed states mail preparation and replace that with ADC and Mixed ADC preparation.
- (c) Please confirm that all mailers were allowed and encouraged to sort according to *all* of the new rules that became effective July 1, 1996.
- (d) Please confirm that if nonprofit mailers were using software to presort their mail, and the software they were using was designed only for nonprofit mail, the software vendor(s) may not have made the necessary changes that the nonprofit mailers were required to adopt in July to reflect the new processing network.
- (e) Please confirm that the way in which many nonprofit mailers dealt with this situation was to use the same presort software that regular rate mailers were using.

Response:

- (a) Confirmed.
- (b) Confirmed.
- (c) I can confirm that they were *allowed* to sort according to all of the new rules that became effective July 1, 1996. I cannot, however, testify to any means by which the Postal Service or its field staff might have *encouraged* them to do so, nor is it likely that smaller, nonprofit publishers would have made the requisite software adjustments.
- (d) Confirmed.
- (e) Not confirmed. My impression is that nonprofit mailers did not generally use the same presort software as regular-rate mailers in order to deal with the situation.

USPS/CRPA-T1-7. Please refer to your testimony at pages 4, lines 21-23, through page 5, lines 1-2: "Postal Service witness O'Hara, questioned for ABP by Mr. Strauss, acknowledged that smaller-circulation periodicals experienced rate increases as a consequence of MC95-1." Can you confirm that the reason for these rate increases was due to the de-averaging of costs and thus these rate increases reflect the higher costs of these less dense mailings?

Response:

As experienced by the customer, in this case the mailer of a relatively light periodical, the reason for the rate increase was that the per-piece charge rose. Changes in the per-piece charge have a disproportionately large impact on lighter-weight periodicals. Also, there was a significant increase in the rate differential between automated and nonautomated newspapers and tabloids. The Postal Service was not—and even now is not—equipped to read barcodes on these kinds of publications, with the result that these publications pay higher rates.

USPS/CRPA-T1-8. Please refer to your testimony at page 2, line 23 through page 3, lines 1-5. You state that one of the purposes of your testimony is "to assist the Commission in understanding the impact of higher rates and deteriorating service on non-profit, Periodicals-class and Standard-A-class mailers...." Please also refer to page 6, lines 13-14: "CRPA members have noted a distinct decline in the value of the Postal Service's service over the past few years. Some have suffered tangible harm as a consequence." Besides the single example given in your testimony of United Methodist Reporter, do you have any quantified documentation, other than anecdotal, of decline in service for religious periodicals? Identify all communications received from your members relating poor service, including date, time, and form of communication.

Response:

My testimony was based upon anecdotal evidence, widespread among religious periodicals, but unfortunately not accompanied by date-and-time information. The form of communication has typically been oral, occurring at conferences and conventions of religious press associations. Some oral reports have reached me via telephone. The experience of religious periodicals seems comparable to that of ABP, McGraw-Hill, and NNA members, who have also testified to inconsistent service.

USPS/CRPA-T1-9. Please refer to your testimony at page 7, lines 11-13: "The Postal Service is requesting higher rates. But the value of service actually provided to small-circulation, preferred-rate periodicals has declined. In face of this, any rate increase for Periodicals-class mail should be kept to a minimum."

(a) Please confirm that the value of service is only one consideration in setting rates.

(b) Please confirm that the level of attributable costs must also be considered in setting periodical rates before the remaining eight pricing criteria can be applied.

Response:

(a) Confirmed.

(b) Confirmed, with the caveat that "the level of attributable cost" is not the absolute beginning-point for postal rates. The Postal Service's costing methodology plays a role in the process of rate-setting as well. And in the instant docket, the costing methodology is being challenged.

USPS/CRPA-T1-10. Please refer to your testimony at page 8, lines 2-10. After suggesting there is a problem with mail processing costs, you state, parenthetically: "(A return to the methodology used in R94-1 (by implication, R90-1) might be preferable to the methodology used in the instant case.)" Do you have any objective scientific data which would demonstrate the superiority of the previous costing methodology over the proposed methodology, or is your statement based on your understandable desire to retain a previous methodology that had a more favorable result with regard to small-circulation periodicals?

Response:

Not being an economist, I cannot offer the type of data ("objective, scientific") which you request. My concerns over the calculation of mail-processing costs arise from the surprisingly and inexplicably large rise in such costs, together with a decline in productivity.



USPS/CRPA-T1-11. Please refer to your response to USPS/CRPA-T1-1b and the testimony of William P. Tayman, Exhibit USPS 9L.

- (a) Confirm that equity was positive as recently as FY 1987 and that most of the negative equity to which you have referred accumulated over the five year period FY 90-94, not over the past 20 years as you stated.
- (b) Please confirm that a negative equity of \$1.4 billion means that the Postal Service's liabilities are greater than its assets by that amount. If you do not confirm please explain your answer. When reviewing the financial statements of a business or other entity such as the Postal Service, would you consider negative equity to be an indicator of financial health or weakness? Please explain your answer fully.

Response:

- (a) Confirmed.
- (b) Confirmed. I consider both the absolute amount of negative equity and the trend of negative equity (whether it is growing or shrinking) to be relevant indices. Both positive equity and positive changes in equity suggest business health, whereas negative equity or a negative change in equity suggests weakness.

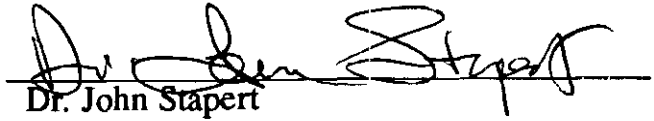
USPS/CRPA-T1-12. Please refer to your response to USPS/CRPA-T1-2. Part (b) of that interrogatory asked you to confirm that the variances from the FY 97 \$636 million net income estimated in this Docket are more relevant to this rate proceeding than variances from the FY 97 \$55 million plan. You answered that both variances may be relevant but did not answer the question as to their relative value. Please confirm that variances from the rate case estimate of \$636 million net income would be more relevant to this proceeding than variances from the plan. If you do not confirm please why (sic) explain why.

Response:

Within the context of this proceeding, variances from the rate-case estimate of \$636 million FY 97 net income are more relevant than are variances from the Postal Service's FY 97 plan of \$55 million net income. However, at some point the activities of this proceeding must engage the realities of actual Postal Service financial activity and experience. My purpose in citing the Postal Service's highly favorable financial experience in FY 97, relative to its FY 97 plan, was to foster an engagement with that reality.

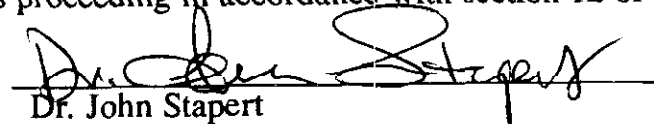
DECLARATION

I declare under penalty of perjury that the foregoing is true and correct. Executed on February 9, 1998.

  
Dr. John Stapert

CERTIFICATE OF SERVICE

I hereby certify that I have this 9th day of February, 1998, served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
Dr. John Stapert